

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

September 2, 2003

IN RE:

**NOTIFICATION BY ITC^DELTA COM, INC. AND
ITC^DELTA COM COMMUNICATIONS, INC. D/B/A
ITC^DELTA COM OF A STOCK TRANSACTION**

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**DOCKET NO.
03-00430**

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Chairman Deborah Taylor Tate, Director Pat Miller, and Director Ron Jones of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on July 21, 2003 for consideration of the *Notification*, filed by ITC^DeltaCom, Inc. ("ITC") and ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom ("DeltaCom"), of a transaction requiring TRA approval under Tenn. Code Ann. § 65-4-113.

Statutory Framework

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain prior TRA approval to transfer its authority to provide utility services in Tennessee (also known as a "certificate of public convenience and necessity" or "CCN"). Tenn. Code Ann. § 65-4-113(a) reads as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) includes the standards by which the TRA shall consider an application for transfer of authority, in pertinent part, as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

Background

DeltaCom received authorization to provide long distance telecommunications services in Tennessee on January 2, 1997 in TRA Docket No. 96-01431. DeltaCom is wholly owned by Interstate FiberNet, Inc ("IFN") which is wholly owned by ITC. Neither IFN nor ITC directly possess any regulatory license to provide telecommunications services.

The Notification

On July 8, 2003, the Parties notified the TRA of a proposed transaction in which the largest shareholder of ITC will become the company's majority shareholder. This shareholder is a consortium of commonly-owned investment companies,¹ proposing to increase its ownership of ITC from 49.3% to 59% with an additional investment in the company of \$35 million dollars. Following this transaction, DeltaCom will still be the direct holder of its CCN to provide telecommunications services in Tennessee and the direct provider of services to its Tennessee customers. While there will be no change in the direct ownership and control of DeltaCom, there will be a change in its ultimate ownership resulting in an indirect transfer of DeltaCom's CCN.

The July 21, 2003 Authority Conference

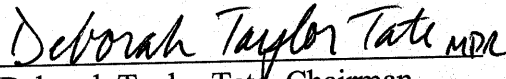
At the July 21, 2003 Authority Conference, the Directors found that the consortium of investors demonstrates stability through ample financing and leadership by executives with extensive telecommunications and information industry experience. The Directors concluded

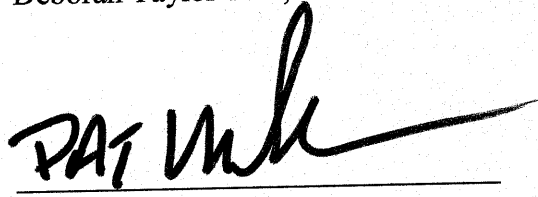
¹ The consortium includes Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Capital Partners III, L.P., and WCAS Information Partners, L.P.

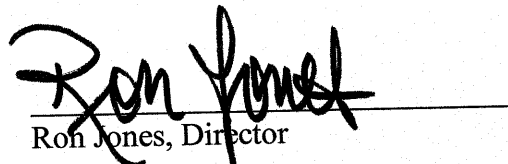
that the proposed transaction involves only an internal reorganization of the company and should be transparent to DeltaCom's Tennessee customers and that, as a result of the transaction, DeltaCom should enjoy operational flexibility, efficiency, and long-term financial viability. For these reasons, the panel voted unanimously to approve the indirect transfer of DeltaCom's CCN.

IT IS THEREFORE ORDERED THAT:

The proposed indirect transfer of DeltaCom's CCN as described in the *Notification* and discussed herein is approved.


Deborah Taylor Tate, Chairman


Pat Miller, Director


Ron Jones, Director